

Service Date: July 24, 1989

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)	UTILITY DIVISION
the Mountain States Telephone and)	
Telegraph Company (MOUNTAIN BELL))	DOCKET NO. 88.2.5
to Implement Revised Depreciation)	
Schedules for Various Classes of)	ORDER NO. 5359a
Property and Change Rates to Recover)	
the Resulting Revenue Requirement.)	

FINDINGS OF FACT

1. On February 17, 1988, Mountain Bell (MB, Company, Applicant) filed an application to implement revised depreciation rates that would result in an additional annual revenue requirement of \$6,309,000.

2. AT&T, Montana Consumer Counsel (MCC), and MCI were granted intervention in this Docket.

3. A Notice of Application and Proposed Procedural Order was mailed to various newspapers for publication on March 8, 1988. The Notice proposed a public hearing commencing on August 15th, 1988.

4. On March 23, 1988, a Procedural Order was issued fixing the dates contemplated in the Proposed Procedural Order.

5. MCC was the only intervenor to file testimony in the Docket. MCC proposed longer service lives for various plant accounts, rejected the proposal of MB to amortize a depreciation reserve deficiency, and proposed the elimination of the use of Equal Life Group (ELG) depreciation procedures. MCC recommended depreciation rates which would result in an annual revenue reduction of \$7,561,000.

6. MB's rebuttal testimony was filed June 13, 1988.

7. On June 16, 1988, a "three-way meeting" was held in Denver by the staff of the Federal Communications Commission (FCC).

The purpose of the meeting was to discuss service lives that would be used for interstate and state purposes if agreement was reached.

Representatives from Mountain Bell, MCC, the Montana Public Service Commission, and the FCC attended. Agreement was reached on service lives for all but five asset accounts. Agreement between MB and the FCC was concluded within several days of the completion of the Denver meeting.

8. On June 20, 1988, MCC moved to vacate the scheduled August 15, 1988, hearing date in order to permit the parties to explore possible settlement of issues.

9. On July 6, 1988, the Commission issued notice that the public hearing in this Docket had been rescheduled for September 15, 1988.

10. On September 9, 1988, MB filed a Stipulation between MB and MCC on all contested issues in this Docket. A copy of the Stipulation is attached to this Order (see Attachment A). The Stipulation accepted the service lives used by the FCC for Montana intrastate purposes with the five following exceptions: Analog ESS - 17 years; Radio Systems - 19 years; Circuit Equipment Other - 14 years; Underground Cable - 37 years; Buried Cable - 31 years. MCC's opposition to MB's proposed reserve deficiency amortization was withdrawn and its proposal to rescind MB's authority to utilize ELG procedures was withdrawn. The impact of the Stipulation on Montana intrastate depreciation expense is a decrease of \$1,497,000. This depreciation level causes a decrease in intrastate revenue requirements of \$1,304,000. The Stipulation stated that the rate design for this rate reduction should be dealt with in a manner consistent with the rate design portion of MB's pending rate case, Docket No. 88.1.2.

11. On September 16, 1988, the Commission issued Interim Order No. 5359. The interim order approved the Stipulation between MB and MCC. The Commission found that the Stipulation resulted in reasonable rates. In the last depreciation represcription the Commission expressed concern and reluctance to adopt rapid amortization of any depreciation reserve deficiencies. No such amortization was implemented at that time by either the FCC or this Commission for Montana. The Commission accepted the Stipulation in this case as a reasonable compromise between the positions of the

parties to this Docket. However, the parties should not construe the Commission's approval of the Stipulation as approval of the concept of a reserve deficiency amortization or any other particular methodology pertaining to depreciation. In accepting this Stipulation, the Commission reminds the parties that all issues and matters in this filing will again be closely scrutinized in the next depreciation filing of MB and that the Commission's acceptance of the Stipulation in this proceeding will have no bearing on its decisions in any future proceedings.

12. There being nothing further to come before the Commission in Docket No. 88.2.5, the Commission hereby makes final the rate decrease approved in Interim Order No. 5359.

CONCLUSIONS OF LAW

1. Mountain Bell offers regulated telecommunications services in the state of Montana and is a public utility under Section 69-3-101, MCA. The Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA.

2. The rate level and rate structure approved herein are just and reasonable and not unjustly discriminatory. Section 69-3-330, MCA.

3. The Commission has provided adequate public notice and an opportunity to be heard to all interested parties in this docket. Montana Administrative Procedure Act and Title 69, Chapter 3, MCA.

ORDER

1. Mountain Bell is hereby GRANTED a \$1,304,000 reduction in annual revenues on a final basis.

2. Neither the Commission nor any of the parties herein, by their acceptance of the Stipulation shall be deemed to have accepted, agreed to, or conceded any particular depreciation, ratemaking, or legal principle underlying the Stipulation.

3. Docket No. 88.2.5 is hereby closed.

DONE AND DATED this 24th day of July, 1989, in open session by
a vote of 5-0 .

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

